

Message Text

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PAGE 01 BOGOTA 04462 061647Z

67-R
ACTION ARA-10

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P 052222Z MAY 76
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC PRIORITY 4917

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E.O. 11652: N/A
TAGS: ETRD, EFIN, CO
SUBJECT: LIEVANO PROPOSAL FOR EXPANDING TRADE

REF: BOGOTA 3525

1. IN MEETING WITH AMBASSADOR ON MAY4, FONMIN LIEVANO PRESENTED MEMORANDUM COVERING COLOMBIA'S "PROPOSAL FOR A NEW SYSTEM OF ECONOMIC COOPERATION IN THE AMERICAN CONTINENT." AS ANTICIPATED, PROPOSED NEW SYSTEM IS BASED ON A MORE "FLUID AND DYNAMIC DIVISION OF LABOR IN THE HEMISPHERE," THE HEART OF WHICH WILL BE A SERIES OF SPECIAL TRADE PREFERENCES GRANTED BY THE UNITED STATES TO LATIN AMERICA. THE PROPOSAL ENVISAGES NEGOTIATIONS LEADING TO THE GRADUAL ELIMINATION OF MOST TARIFF AND NON-TARIFF BARRIERS APPLIED BY THE US TO IMPORTS FROM LATIN AMERICA. THERE WOULD BE NO REQUIREMENT FOR RECIPROCITY BY THE LATINS.

2. WHILE MAJOR EMPHASIS IS ON US-LATIN TRADE, COLOMBIAN PROPOSAL RECOGNIZES THAT IT MAY BE PREFERABLE FOR NEGOTIATIONS TO BE BROADENED TO INCLUDE OTHER COUNTRIES. MEMORANDUM SUGGESTS, THEREFORE, AS AN ALTERNATE TO A PURELY HEMISPHERIC SYSTEM, THAT PARALLEL NEGOTIATIONS BE UNDERTAKEN WITH THE LOME COUNTRIES TO REDUCE TARIFF AND NON-TARIFFF BARRIERS ON PRIMARY AND MANUFACTURED PRODUCTS OF INTEREST TO THOSE COUNTRIES AND TO LATIN AMERICA AS WELL. THESE CONCESSIONS WOULD BE INCORPORATED INTO THE EEC'S GENERALIZED

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PAGE 02 BOGOTA 04462 061647Z

SYSTEM OF PREFERENCES. AT THE SAME TIME, THE RESULTS OF THE

HEMISPHERIC NEGOTIATIONS COULD BE EXTENDED TO THE ACP COUNTRIES AND ALL OTHER COUNTRIES BENEFITTING FROM THE US GSP.

3. IN THE EVENT OF A REGIONAL SYSTEM ONLY, THE COLOMBIAN PROPOSAL ENVISAGES THAT THE NEW SYSTEM OF PREFERENCES WOULD FUNCTION WITHIN THE GATT IN THAT THE GENERAL MOST FAVORED NATION TREATMENT STIPULATED IN ARTICLE I WOULD BE WAIVED UNDER THE PROVISIONS OF PARAGRAPH 5 OF ARTICLE XXV.

4. UNDER THE COLOMBIAN PROPOSAL, THE FOLLOWING MEASURES WOULD BE TAKEN BY THE US IN FORMULATING A NEW SYSTEM OF ECONOMIC COOPERATION IN THE AMERICAN CONTINENT:

A. THE US WOULD NOT APPLY THE RESTRICTIVE IMPORT RELIEF MEASURES CONTAINED IN SECTIONS 202 AND 203 OF THE TRADE ACT TO IMPORTS FROM LATIN AMERICA;

B. SUBSIDIZED EXPORTS FROM INFANT INDUSTRIES IN LATIN AMERICA WOULD BE EXEMPT FROM THE PROVISIONS OF TITLE III OF THE ACT. HOWEVER, THE EXPORTING COUNTRIES WOULD REDUCE SUBSIDIES AS INDUSTRIES ACHIEVED ECONOMIES OF SCALE AND THE ABILITY TO COMPETE IN FOREIGN MARKETS;

C. THE OPEC EXCLUSIONS, SECTION 502 (B) (2) OF THE TRADE ACT, WOULD NOT BE APPLIED TO LATIN AMERICA;

D. THE PROVISIONS ON IMPORT-SENSITIVE ARTICLES AND GSP EXCLUSION, SECT 503 (C) (1) AND (2) OF THE TRADE ACT WOULD NOT BE APPLIED TO LATIN AMERICA;

E. THE RULES OF ORIGIN REQUIREMENTS CONTAINED IN SECTION 503 (B) (2) (A) AND (B) WOULD NOT BE APPLIED TO LATIN AMERICA;

F. THE US WOULD DECLARE THAT THE CUSTOMS UNION OR FREE TRADE ASSOCIATION CONCEPT IN SECTION 502 (A) (3) OF THE ACT WOULD NOT BE USED TO RESTRICT IMPORTS FROM LATIN AMERICA IN THE EVENT THAT THE PRODUCTS IMPORTED CAUSED DISTORTION IN THE US MARKET;
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PAGE 03 BOGOTA 04462 061647Z

G. THE US WOULD IMPOSE ESCAPE CLAUSE OR OTHER RESTRICTION ON IMPORTS FROM LATIN AMERICA IN EXCESS OF A GUARANTEED QUANTITY ONLY, AND ONLY IF MARKET DISRUPTION COULD BE ATTRIBUTED DIRECTLY TO A LATIN AMERICAN COUNTRY. THE RESTRICTIONS WOULD BE APPLIED ONLY AFTER CONSULTATIONS WITH THE EXPORTING COUNTRY. CONSIDERATION

WOULD BE GIVEN TO PHASING IN THE RESTRICTIONS AS WELL AS TO PROVIDING COMPENSATORY MEASURES FOR PRODUCTS SIMILAR TO THOSE RESTRICTED. THE GUARANTEED QUANTITY WOULD BE BASED ON THE HIGHEST LEVEL OF EXPORTS ACHIEVED DURING ANY ONE OF THE PAST SIX YEARS AND WOULD BE ADJUSTED UPWARDS EACH YEAR ON THE BASIS OF A PREESTABLISHED FORMULA;

H. THE US WOULD ESTABLISH SCIENTIFIC CRITERIA TO GOVERN THE APPLICATION OF THE CONCEPT OF "SUBSTANTIAL TRANSFORMATION TO A NEW AND DIFFERENT ARTICLE";

I. THE US WOULD ESTABLISH A SYSTEM OF PUBLIC NOTIFICATION AND JUSTIFICATION FOR THE INTRODUCTION OF MEASURES RESTRICTING TRADE, AND WOULD GIVE SPECIAL ATTENTION TO THE INTERESTS OF LATIN AMERICA IN IMPOSING RESTRICTIONS;

J. THE US WOULD GUARANTEE THAT IMPORTS FROM LATIN AMERICA WOULD NOT BE RESTRICTED BECAUSE OF COMPARATIVE ADVANTAGE OR PRODUCTION EFFICIENCIES ATTRIBUTABLE TO COST, PRICE OR WAGE DIFFERENCES BETWEEN LATIN AMERICAN AND US ECONOMIES;

K. IF INTERNATIONAL AGREEMENTS LEAD TO THE ESTABLISHMENT OF QUOTAS FOR CERTAIN PRODUCTS, THE US WOULD GIVE PREFERENTIAL TREATMENT TO LATIN AMERICA. IN ANY EVENT, THE QUOTAS WOULD BE APPLIED ONLY TEMPORARILY TO IMPORTS FROM LATIN AMERICA;

L. IN THOSE CASES WHERE PRODUCTS ARE SUBJECT TO TARIFFS, THE US WOULD GIVE A GUARANTEED MARGIN OF PREFERENCE TO LATIN AMERICA EQUAL TO AT LEAST 50 PERCENT OF THE MFN RATE.

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PAGE 04 BOGOTA 04462 061647Z

5. FOREIGN MINISTER'S MEMORANDUM SUGGESTS THAT, IN ORDER TO PREPARE FOR NEGOTIATIONS WITH THE US, EACH LATIN AMERICAN COUNTRY SHOULD IDENTIFY A) THEIR EXPORTS WHICH CURRENTLY HAVE PROBLEMS OF ACCESS TO THE US MARKET, B) THE TARIFF AND NON-TARIFF BARRIERS AFFECTING PRODUCTS, C) PRODUCTS WHICH MIGHT POSSIBLY BE EXPORTED TO THE US IF MARKET ACCESS CONDITIONS WERE IMPROVED, D) PRODUCTS FACING PROBLEMS IN THE US MARKET DUE TO MONOPOLISTIC PROTECTION OF US INDUSTRY, AND E) THE AVAILABILITY, RESERVE SITUATION AND MARKET CONDITIONS OF BASIC EXPORT PRODUCTS.

6. LIEVANO INFORMED THE AMBASSADOR THAT HE HAD GIVEN COPIES OF THE MEMORANDUM TO SEVERAL FOREIGN MINISTERS FOR THEIR COMMENTS (THE ONLY ONE HE IDENTIFIED WAS

FACIO). HE ADDED THAT, FOLLOWING STUDY OF THE MEMORANDUM BY THE US AND OTHER COUNTRIES, THE BEST WAY TO PROCEED MIGHT BE FOR A DELEGATION OF EXPERTS TO MEET DURING THE OAS GENERAL ASSEMBLY AND TO REPORT TO THE ASSEMBLY ON WHAT THEY THINK SHOULD BE DOWN WITH THE PROPOSAL.

7. AN INFORMAL TRANSLATION OF THE MEMORANDUM IS BEING PREPARED AND WILL BE SENT SEPTEL. A COPY OF THE SPANISH VERSION WILL BE POUCHED TO ARA/ECP. ROGERS VAKY

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